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# SOGEPET LIMITED



1975  
ANNUAL REPORT





# SOGEPET LIMITED

Head Office  
170 Bloor Street West, Suite 418  
Toronto, Ontario, Canada  
M5S 1T9

DIRECTORS	DOUGLAS A. BERLIS, Q.C. J. IVAN CUTHILL DR. FRANC. R. JOUBIN WILLIAM F. MITCHELL ARTHUR E. WOOTTON EDWARD W. H. TREMAIN
OFFICERS	DR. FRANC. R. JOUBIN, <i>President</i> WILLIAM F. MITCHELL, <i>Vice-President</i> MRS. C. A. WOLF, <i>Secretary-Treasurer</i>
LEGAL COUNSEL	MANLEY, GRANT & CAMISSO
TRANSFER AGENT	GUARANTY TRUST COMPANY OF CANADA TORONTO, ONTARIO
AUDITORS	LAVENTHOL & HORWATH

## Wholly-owned subsidiary: SOGEPET U.S.A. INC.

DIRECTORS	J. IVAN CUTHILL FRANC. R. JOUBIN WILLIAM F. MITCHELL
OFFICERS	DR. FRANC. R. JOUBIN, <i>President</i> J. IVAN CUTHILL, <i>Vice-President</i> JAMES P. MANLEY, Q.C., <i>Secretary</i> MRS. CHARLOTTE A. WOLF, <i>Treasurer</i>
LEGAL COUNSEL	MANLEY, GRANT & CAMISSO
AUDITORS	LAVENTHOL & HORWATH



# SOGEPET LIMITED

## *Directors' Annual Report 1975*

### **To the Shareholders of Sogepet Limited:**

Activity during the year was directed to the Hudson Bay region of Canada and the Appalachian region of northeastern U.S.A.

On our James Bay Lowlands permits in the Hudson Bay region an aero-magnetic survey was completed. Its interpretation offered modest technical encouragement but the large ensuing work commitment and short one-year term for required completion appeared to us impractical in this physically difficult terrain and our Group elected to surrender these permits.

Sogepet, through Shell and Arco (Arcan) Group negotiations with Mobil Oil and its associates, participated in a seismic survey of the Mobil Group's 4.5 million acres in the north central area of Hudson Bay. This program was completed and acreage selection followed to protect the indicated structures. Our company acquired a 2.03% equity in the 1.5 million acres retained by the Mobil and Arcan Groups. This is additional to the 6.6% equity we hold in the 6.2 million acres of the Arcan Group and our 60% equity in the approximately 3.5 million acres in the Northern Islands Group.

Regrettably, our proposed work program for 1975 on the Northern Islands Group permits, for which we serve as Operator,

was again disallowed by the Federal authorities on grounds of environmental concern. The work moratorium status of these permits was further extended.

Our Appalachian activities have received continued attention during the review period. To facilitate these activities, Sogepet has incorporated a wholly-owned subsidiary, Sogepet U.S.A. Inc., to which it has conveyed all interests held in the oil and gas leases in New York State and Pennsylvania.

During the last quarter of 1975, we participated to the extent of a 25% equity in the drilling of five exploratory wells on five separate parcels of land in Allegany, Chemung, Steuben and Schuyler Counties, New York State. All wells were dry.

Plans for drilling in western New York were well advanced by year-end and studies continued for a possible geophysical survey in an off-shore sector of Hudson Bay in 1976.

On behalf of the Board of Directors,

FRANC. R. JOUBIN,  
President.

June 1, 1976.

# SOGEPET LIMITED

## AUDITORS' REPORT

To the Shareholders of  
Sogepet Limited

We have examined the consolidated balance sheet of Sogepet Limited and its subsidiary as at December 31, 1975 and the consolidated statements of deferred exploration and administrative expenditures, deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and their activities and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LAVENTHOL & HORWATH,

Chartered Accountants.

Toronto, Ontario,  
February 27, 1976.

## *Consolidated Balance Sheet*

### ASSETS

	<u>1975</u>	<u>1974</u>
CURRENT:		
Cash .....	\$ 32,091	\$ 59,435
Deposit receipts .....	428,000	535,000
Accrued interest .....	8,380	7,860
Accounts receivable .....	1,049	2,885
	<u>469,520</u>	<u>605,180</u>
Work deposits on petroleum and natural gas exploratory permits (Note 3)	131,450	70,450
Deposit on application for permits .....	<u>—</u>	<u>42,833</u>
CAPITAL ASSETS:		
Petroleum and natural gas interests, at cost (Note 4) .....	78,883	78,883
Deferred exploration and administrative expenditures .....	2,790,948	2,572,422
Advances re drilling program .....	27,718	39,169
	<u>2,897,549</u>	<u>2,690,474</u>
Less net proceeds from sale of interest in petroleum and natural gas exploratory permits .....	317,500	317,500
	<u>2,580,049</u>	<u>2,372,974</u>
Organization expenses of subsidiary .....	3,322	—
	<u>\$3,184,341</u>	<u>\$3,091,437</u>

# LIMITED

(Incorporated under the laws of Ontario)

— *December 31, 1975*

## LIABILITIES

	1975	1974
CURRENT:		
Accounts payable .....	\$ 9,348	\$ 4,199
Expenses incurred by The Consumers' Gas Company for which company shares are to be issued (Note 5) .....	787,035	704,652

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK (Note 6):

#### Authorized:

5,000,000 Common shares, without par value

#### Issued:

2,258,303 Common shares (1974 — 2,241,303 shares) ..... 2,501,594 2,491,502

DEFICIT .....	113,636	108,916
	2,387,958	2,382,586

	<u>\$3,184,341</u>	<u>\$3,091,437</u>
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See accompanying notes.

On behalf of the Board:

FRANC. R. JOUBIN, Director.

ARTHUR E. WOOTTON, Director.



# SOGEPET LIMITED

## CONSOLIDATED DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES

Year Ended December 31, 1975

EXPLORATION EXPENDITURES:	1975	1974
Hudson and James Bay Areas:		
Exploratory well drilling and related costs . . . . .	\$ 41,054	\$13,555,511
Geophysical and geological surveys and studies . . . . .	292,745	1,208,868
Group exploration expenditures . . . . .	333,799	14,764,379
Less other participants' share . . . . .	286,151	13,782,009
Company's share of expenditures . . . . .	47,648	982,370
Engineering and geological services . . . . .	35,536	24,600
Lease rentals . . . . .	677	5,459
Miscellaneous . . . . .	1,453	579
	<u>85,314</u>	<u>1,013,008</u>
Appalachian and Chautauqua Areas, U.S.A.:		
Exploratory well drilling . . . . .	102,465	—
Geophysical and geological surveys and studies . . . . .	293,236	93,248
	<u>395,701</u>	<u>93,248</u>
Less other participants' share . . . . .	296,266	69,936
Company's share of expenditures . . . . .	99,435	23,312
Engineering and geological services . . . . .	3,000	4,200
Lease rentals and bonuses . . . . .	24,281	13,563
Miscellaneous . . . . .	—	549
	<u>126,716</u>	<u>41,624</u>
Outside ventures . . . . .	—	4,720
Total exploration expenditures . . . . .	212,030	1,059,352
Administrative expenditures, per schedule . . . . .	60,239	53,475
	<u>272,269</u>	<u>1,112,827</u>
Less interest income . . . . .	49,023	64,178
Total expenditures for the year . . . . .	223,246	1,048,649
Balance deferred, beginning of year . . . . .	2,572,422	1,523,773
	<u>2,795,668</u>	<u>2,572,422</u>
Deduct exploration expenditures — outside ventures, written off to deficit . . . . .	4,720	—
Balance deferred, end of year . . . . .	<u>\$ 2,790,948</u>	<u>\$ 2,572,422</u>
SUMMARY OF DEFERRED EXPENDITURES:		
Exploration:		
Hudson and James Bay Areas . . . . .	\$ 2,491,537	\$ 2,406,223
Appalachian and Chautauqua Areas . . . . .	208,885	82,169
Outside ventures . . . . .	—	4,720
	<u>2,700,422</u>	<u>2,493,112</u>
Administrative, net of interest income . . . . .	90,526	79,310
	<u>\$ 2,790,948</u>	<u>\$ 2,572,422</u>



# SOGEPET LIMITED

## CONSOLIDATED STATEMENT OF DEFICIT Year Ended December 31, 1975

	<u>1975</u>	<u>1974</u>
Balance, beginning of year .....	\$ 108,916	\$ 108,916
ADD:		
Expenditures on outside ventures written off .....	4,720	—
Balance, end of year .....	<u>\$ 113,636</u>	<u>\$ 108,916</u>

## SCHEDULE OF ADMINISTRATIVE EXPENDITURES Year Ended December 31, 1975

	<u>1975</u>	<u>1974</u>
Head office rent and administrative services .....	\$ 8,400	\$ 8,400
Management services (Calgary office) .....	16,668	13,200
Directors' fees and officer's remuneration .....	6,900	6,400
Legal and audit .....	8,261	7,743
Annual meeting expenses .....	2,876	3,753
Public relations and shareholders' information .....	2,259	3,242
Transfer agent's fees and expenses .....	1,579	1,644
Telephone .....	2,714	2,250
Travel .....	3,940	2,460
Miscellaneous .....	6,642	4,383
	<u>\$ 60,239</u>	<u>\$ 53,475</u>

# SOGEPET LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1975

	1975	1974
SOURCE OF FUNDS:		
Interest income .....	\$ 49,023	\$ 64,178
Issue of capital stock .....	10,092	46,710
Deposit on application for permits refunded .....	42,833	—
	<u>101,948</u>	<u>110,888</u>
APPLICATION OF FUNDS:		
Exploration expenditures .....	212,030	1,059,352
Less reduction in advances re off-shore drilling program .....	39,169	227,694
	<u>172,861</u>	<u>831,658</u>
Administrative expenditures .....	60,239	53,475
Work deposits .....	61,000	—
Advances re drilling program .....	27,718	39,169
	<u>321,818</u>	<u>924,302</u>
Less expenditures incurred by The Consumers' Gas Company (Note 5)	82,383	842,300
	<u>239,435</u>	<u>82,002</u>
Organization expenses of subsidiary .....	3,322	—
Acquisition of interests in petroleum and natural gas acreage .....	—	20,167
	<u>242,757</u>	<u>102,169</u>
Increase (decrease) in working capital .....	(140,809)	8,719
Working capital, beginning of year .....	600,981	592,262
Working capital, end of year .....	<u>\$ 460,172</u>	<u>\$ 600,981</u>

See accompanying notes.

# SOGEPET LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1975

### 1. CONSOLIDATION:

During the year the company caused the incorporation of a wholly-owned U.S. subsidiary, Sogepet U.S.A. Inc., and transferred to the subsidiary all of its oil and gas interests in the Appalachian and Chautauqua Areas in New York and Pennsylvania. The consolidated financial statements include the accounts of the company and its newly incorporated subsidiary.

### 2. ACCOUNTING POLICY:

As the company and its subsidiary are in the exploration stage, a statement of income is not prepared. Exploration and administrative expenditures, reduced by sundry income, are charged to deferred expenditures as incurred. The company's policy is to make no write-off of acquisition costs and related deferred expenditures when only part of an area of interest is abandoned. The company considers the Hudson and James Bay region as one area of interest and the Appalachian and Chautauqua region as another area of interest; accordingly, no write-offs have been made for permits that have been abandoned.

### 3. WORK DEPOSITS:

Work deposits at December 31, 1975 consist of the following:

Bank deposit receipts .....	\$ 126,500
Cash .....	4,950
	<u>\$ 131,450</u>

The bank deposit receipts are pledged as security to the bank which has guaranteed \$116,294 of the company's promissory notes deposited with government departments in lieu of cash work deposits. These notes will be returned to the company in amounts equal to the allowable expenditures made within various stipulated time limits.

The work deposits cover work requirements on acreage under government work variation order.

### 4. PETROLEUM AND NATURAL GAS INTERESTS:

Petroleum and natural gas exploratory permits, Hudson Bay region ....	\$ 58,716
Oil and gas leases, Appalachian and Chautauqua Areas, New York and Pennsylvania .....	20,167
	<u>\$ 78,883</u>



## 5. AGREEMENT WITH THE CONSUMERS' GAS COMPANY:

- (a) Under an agreement dated July 20, 1971, The Consumers' Gas Company agreed to spend \$2,000,000 over the next three years on gas and oil exploration on licenses in the Hudson and James Bay area in which the company holds an interest. Expenditures by Consumers' to December 31, 1975 amounted to \$1,662,035. The time for completion of the expenditure of the \$2,000,000 has been extended to December 31, 1976.

Consumers' is to receive, for the expenditures incurred, fully paid shares of Sogepet's capital stock from time to time on the following basis:

700,000 shares at \$1.25 per share .....	\$ 875,000
500,000 shares at \$1.75 per share .....	875,000
125,000 shares at \$2.00 per share .....	250,000
<u>1,325,000 shares .....</u>	<u>\$2,000,000</u>

To December 31, 1975, the company has issued to Consumers' 700,000 shares as above.

In lieu of expenditures Consumers' may at any time purchase any of the above shares that remain unissued from time to time for cash at the prices indicated.

During the 60-day period after the expenditures have aggregated \$1,750,000, Consumers' has the option to subscribe for additional shares at a price equal to 75% of the average bid price per share during the 90-day period preceding the exercise of the option, so that it will own 51.75% of the then issued capital of Sogepet.

- (b) During the term of the agreement with Consumers' Sogepet may not issue shares or grant options for the purchase of shares without the consent of Consumers' except that it may grant its officers, employees and directors options to purchase up to an aggregate of 85,000 shares in addition to the options mentioned in Note 6(b) provided that it grants Consumers' the right to purchase an equal number of shares on the same basis. This right applies only to those options exercised by the officers, employees and directors.

## 6. CAPITAL STOCK:

- (a) During 1975 the company issued 17,000 shares of its capital stock for \$10,092 cash on the exercise of stock options (see 6(b) below).

The following is an analysis of the company's issued capital stock as at December 31, 1975:

	<u>Shares</u>	<u>Amount</u>
For cash .....	1,314,303	\$1,547,719
For services .....	94,000	71,375
In consideration for subscribing for preferred shares ..	150,000	7,500
For expenditures incurred by The Consumers' Gas Company (Note 5(a)) .....	700,000	875,000
	<u>2,258,303</u>	<u>\$2,501,594</u>

(b) Stock options:

The following is a summary of the changes in the outstanding options during the year:

	<u>Calgary Manager</u>	<u>President</u>	<u>Consumers' Gas (Note 5(b))</u>
Options outstanding December 31, 1974 ..	6,000	2,500	8,500
Options exercised during year .....	<u>6,000</u>	<u>2,500</u>	<u>8,500</u>
Options outstanding December 31, 1975 ..	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

7. OFFICERS' AND DIRECTORS' REMUNERATION:

Direct remuneration paid by the company and its subsidiary to the directors and senior officers of the company during the year amounted to \$6,900.

In addition, the company paid \$50,000 to a corporation controlled by the company's Calgary office manager for providing management services and for acting as the company's professional and technical advisor, and providing at its own expense, office facilities including staff for the company's Calgary office.

The company and its subsidiary also paid to a corporation controlled by the company's president, a professional geologist, \$5,100 for engineering and geological services, and \$8,400 for head office rent and administrative services.









